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STATE OF MONTANA  
COMMISSIONER OF POLITICAL PRACTICES

Financial/Compliance Audit for the  
Two Fiscal Years Ended June 30, 1984

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STATE OF MONTANA  
COMMISSIONER OF POLITICAL PRACTICES

Financial/Compliance Audit for the  
Two Fiscal Years Ended June 30, 1984



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APPOINTIVE OFFICIAL

OFFICE OF THE COMMISSIONER OF POLITICAL PRACTICES

Peg Krivec, Commissioner  
Term Expires - December 31, 1986

-

## SUMMARY OF RECOMMENDATIONS

This listing serves as a means of summarizing the recommendations contained in the report and the audited agency's reply.

	<u>Page</u>
<u>Recommendation #1</u> The office charge expenditures against the proper year appropriation in accordance with state accounting policy.	
	3

Agency Response: Concur. See page 14.



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## GENERAL

We performed a financial compliance audit of the Office of the Commissioner of Political Practices for fiscal years 1982-83 and 1983-84. The objectives of the audit were to: (1) determine if the office's financial schedules present fairly the results of operations for the two fiscal years then ended; (2) determine if the office complied with applicable laws and regulations; and (3) review the adequacy of management information system and make recommendations for the improvement in the management and internal controls of the office.

This report contains one recommendation to the office. This recommendation addresses an area where compliance with state accounting policy can be improved. Other areas of concern deemed not to have a significant effect on the successful operations of the Office of the Commissioner of Political Practices programs are not specifically included in the report, but have been discussed with management.

We have examined the financial schedules of the Office of the Commissioner of Political Practices for the two fiscal years ended June 30, 1984, and have issued our report dated October 10, 1984. Our examination was made in accordance with generally accepted governmental auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The office complied with the terms and provisions of laws and regulations for the transactions tested. Nothing came to our attention in connection with our examination that caused us to believe that the office was not in compliance with the terms and provision of laws and regulations for those transactions not tested.

In accordance with section 5-13-307, MCA, we analyzed the costs of implementing the recommendation made in this report. There would be no significant cost associated with the implementation of the recommendation.

We thank the Commissioner and her staff for their cooperation and assistance during the audit.

## BACKGROUND

The Office of the Commissioner of Political Practices was created by the 1975 Legislature to administer and enforce Montana's election laws. The office is attached to the Office of the Secretary of State for administrative purposes.

The Commissioner of Political Practices is appointed for a six-year term by the governor, subject to confirmation by a senate majority. A four-member selection committee comprised of the Speaker of the House, the President of the Senate, and the minority floor leaders of both houses of the legislature submit a list to the governor of two to five names of individuals for consideration.

Legislative appropriations provided to carry out the statutory responsibilities of the office during fiscal years 1982-83 and 1983-84 were \$142,258 and \$150,185, respectively. The office staff includes four full-time employees in addition to the commissioner.

The following report section discusses the one area of concern noted during our audit of the office.

## PRIOR YEAR EXPENDITURES

Near the end of fiscal year 1982-83 the office improperly recorded some of its current expenditures against its fiscal year 1981-82 appropriation. State accounting policy allows agencies to charge valid prior year obligations against the remaining balance of a prior year appropriation for one fiscal year following the expiration of the appropriation. Because the office recorded fiscal year 1982-83 expenditures against its prior year appropriation, it was not in compliance with state accounting policy.

Section 17-8-103, MCA, states that it is unlawful to expend in excess of legislative appropriation. If the fiscal year 1982-83 expenditures had been properly charged against the proper appropriation, as required by state accounting policy, the office would have overspent its fiscal year 1982-83 General Fund appropriation by \$1,646.

The Schedule of Expenditures by Fund - Budget and Actual on page 9 of this report indicates the office had \$3,007 of unspent

General Fund budget authority after fiscal year 1982-83. However, this includes \$3,000 of unspent authority specifically designated for audit costs. Since the office did not incur any audit costs in that year the office had only \$7 of unspent appropriation authority remaining for other expenditures.

An office official stated that the expenditures were charged against the prior year appropriation to avoid overspending of the fiscal year 1982-83 appropriation. He said the office was placed in a position of overspending its appropriation because projected vacancy savings on personnel salaries did not occur.

RECOMMENDATION #1

WE RECOMMEND THE OFFICE CHARGE EXPENDITURES AGAINST THE PROPER YEAR APPROPRIATION IN ACCORDANCE WITH STATE ACCOUNTING POLICY.

INTERNAL CONTROLS

We have examined the financial schedules of the Office of the Commissioner of Political Practices for the two fiscal years ended June 30, 1983 and 1984. We issued our opinion dated October 30, 1984, on these schedules. As part of our examination, we made a study and evaluation of the system of controls of the office. Our study evaluated the system as required by generally accepted governmental auditing standards for financial and compliance audits. We classified the controls in the following categories:

1. revenue;
2. payroll;
3. expenditures; and
4. plant, property, and equipment.

Our study included the control categories listed above. We applied alternative audit tests to all the categories listed above because the audit could be performed more efficiently by expanding substantive audit tests. We did not evaluate the control system to the extent necessary to give an opinion on either individual segments or the system as a whole.

The management of the Office of the Commissioner of Political Practices is responsible for establishing and maintaining a system of accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable assurance: (1) that assets are safeguarded against loss from unauthorized use or disposition; (2) that transactions are executed in accordance with management's authorization; and (3) that transactions are recorded properly to permit the preparation of financial schedules in accordance with state accounting policy. Inherent limitations in any system of controls may cause errors or irregularities to remain undetected. The current system evaluation should not be used to project to future periods since the procedures may become inadequate or compliance with them may deteriorate.

The limited purpose of our study described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of controls used by the office.

The preceding three paragraphs are intended solely for the use of management and the legislature and should not be used for any other purpose. This restriction as to use is not intended to limit the distribution of this document which, upon presentation to the Legislative Audit Committee, is a matter of public record.

AUDITOR'S REPORT AND AGENCY FINANCIAL SCHEDULES



STATE OF MONTANA

Office of the Legislative Auditor



STATE CAPITOL  
HELENA, MONTANA 59620  
406/444-3122

DEPUTY LEGISLATIVE AUDITORS:

JAMES H. GILLETT  
FINANCIAL/COMPLIANCE AUDITS

SCOTT A. SEACAT  
PERFORMANCE AUDITS

STAFF LEGAL COUNSEL  
JOHN W. NORTHEY

ROBERT R. RINGWOOD  
LEGISLATIVE AUDITOR

The Legislative Audit Committee  
of the Montana State Legislature:

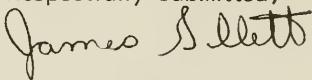
We have examined the Schedule of Changes in Fund Balance; the Schedule of Revenue - Estimated and Actual; the Schedule of Expenditures by Fund - Budget and Actual; and the Schedule of Expenditures by Object of the Office of the Commissioner of Political Practices for the fiscal years ending June 30, 1983 and 1984. Our examination was made in accordance with generally accepted governmental auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As described in Note 1 to the financial schedules, the office's financial schedules are prepared in accordance with state accounting policy. Accordingly, the accompanying financial schedules are not intended to present financial position and results of operations in conformity with generally accepted accounting principals.

In our opinion, the schedules referred to above present fairly the results of operations and the changes in fund balance of such funds of the Office of the Commissioner of Political Practices for the two fiscal years ending June 30, 1983 and 1984, in conformity

with the basis of accounting described in Note 1, which has been applied on a consistent basis.

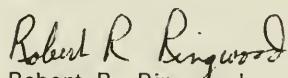
Respectfully submitted,



James H. Gillett, CPA  
Deputy Legislative Auditor

October 30, 1984

Approved:

  
Robert R. Ringwood  
Legislative Auditor

COMMISSIONER OF POLITICAL PRACTICES  
SCHEDULE OF CHANGES IN FUND BALANCE  
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1984

	<u>General Fund</u>	<u>Special Revenue Fund</u>
FUND BALANCE - July 1, 1982	<u>\$ -0-</u>	<u>\$ -0-</u>
<b>ADDITIONS:</b>		
Fiscal Year 1983		
NonBudgeted Revenue	\$ 4,440	\$ 559
Support from State of Montana	134,964	
Fiscal Year 1984		
Revenue		821
NonBudgeted Revenue	90	
Support from State of Montana	<u>140,653</u>	
Total Additions	<u>280,147</u>	<u>1,380</u>
<b>REDUCTIONS:</b>		
Fiscal Year 1983		
Expenditures	137,751	495
Prior Year Expenditure Adjustment	1,653	
Fiscal Year 1984		
Expenditures	140,806	175
Prior Year Expenditure Adjustment	(63)	
Total Reductions	<u>280,147</u>	<u>670</u>
FUND BALANCE - June 30, 1984	<u>\$ -0-</u>	<u>\$ 710</u>

The notes to the financial schedules are an integral part of this schedule.

COMMISSIONER OF POLITICAL PRACTICES  
SCHEDULE OF REVENUE - ESTIMATED AND ACTUAL  
FOR THE FISCAL YEAR ENDING JUNE 30, 1984

	<u>Licenses</u> <u>&amp; Permits</u>	<u>Service Fees</u>	<u>Total</u>
General Fund			
Estimated Revenue	\$ -0-		\$ -0-
Actual Revenue	90		90
Collections Over(Under) Estimate	<u>\$ 90</u>		<u>\$ 90</u>

Special Revenue Fund			
Estimated Revenue		\$ 750	\$ 750
Actual Revenue		821	821
Collections Over(Under) Estimate		<u>\$ 71</u>	<u>\$ 71</u>

COMMISSIONER OF POLITICAL PRACTICES  
SCHEDULE OF REVENUE - ESTIMATED AND ACTUAL  
FOR THE FISCAL YEAR ENDING JUNE 30, 1983

	<u>Licenses</u> <u>&amp; Permits</u>	<u>Service Fees</u>	<u>Total</u>
General Fund			
Estimated Revenue	\$ -0-		\$ -0-
Actual Revenue	4,440		4,440
Collections Over(Under) Estimate	<u>\$ 4,440</u>		<u>\$ 4,440</u>

Special Revenue Fund			
Estimated Revenue		\$ -0-	\$ -0-
Actual Revenue		559	559
Collections Over(Under) Estimate		<u>\$ 559</u>	<u>\$ 559</u>

The notes to the financial schedules are an integral part of this schedule.

COMMISSIONER OF POLITICAL PRACTICES  
SCHEDULE OF EXPENDITURES BY FUND - BUDGET AND ACTUAL  
FOR THE TWO FISCAL YEARS ENDING JUNE 30, 1984 AND 1983

	<u>Fiscal Year 1983-84</u>	<u>Fiscal Year 1982-83</u>
	<u>Administration</u>	<u>Administration</u>
	<u>Program</u>	<u>Program</u>
<b>GENERAL FUND</b>		
Budget	<u>\$149,435</u>	<u>\$140,758</u>
Actual		
Personal Services	124,867	122,405
Operating Expenses	15,744	15,196
Equipment	195	150
Total Actual	<u>140,806</u>	<u>137,751</u>
Unspent Appropriation Authority	<u>\$ 8,629</u>	<u>\$ 3,007</u>
<b>SPECIAL REVENUE FUND</b>		
Budget	\$ 750	\$ 1,500
Actual		
Operating Expenses	175	495
Total Actual	<u>175</u>	<u>495</u>
Unspent Appropriation Authority	<u>\$ 575</u>	<u>\$ 1,005</u>
<b>ALL FUNDS TOTAL</b>		
Budget	<u>\$150,185</u>	<u>\$142,258</u>
Actual		
Personal Services	124,867	122,405
Operating Expenses	15,919	15,691
Equipment	195	150
Total Actual	<u>140,981</u>	<u>138,246</u>
Unspent Appropriation Authority	<u>\$ 9,204</u>	<u>\$ 4,012</u>

The notes to the financial schedules are an integral part of this schedule.

COMMISSIONER OF POLITICAL PRACTICES  
SCHEDULE OF EXPENDITURES BY OBJECT  
FOR THE TWO FISCAL YEARS ENDING JUNE 30, 1984 AND 1983

	<u>Fiscal Year 1983-84</u>	<u>Fiscal Year 1982-83</u>
	<u>Administration</u>	<u>Administration</u>
	<u>Program</u>	<u>Program</u>
<b>PERSONAL SERVICES</b>		
Salaries	\$104,505	\$102,802
Employee Benefits	<u>20,362</u>	<u>19,603</u>
<b>Total Personal Services</b>	<u><u>124,867</u></u>	<u><u>122,405</u></u>
<b>OPERATING EXPENSES</b>		
Contracted Services	318	1,722
Supplies and Materials	5,427	4,911
Communications	5,170	4,610
Travel	300	466
Rent	3,528	2,820
Repair and Maintenance	<u>1,176</u>	<u>1,162</u>
<b>Total Operating Expenses</b>	<u><u>15,919</u></u>	<u><u>15,691</u></u>
<b>EQUIPMENT</b>		
Equipment	195	150
<b>Total Equipment</b>	<u><u>195</u></u>	<u><u>150</u></u>
<b>TOTAL PROGRAM EXPENDITURES</b>	<u><u>\$140,981</u></u>	<u><u>\$138,246</u></u>

The notes to the financial schedules are an integral part of this schedule.

COMMISSIONER OF POLITICAL PRACTICES

NOTES TO THE FINANCIAL SCHEDULES

FOR THE TWO FISCAL YEARS ENDING JUNE 30, 1983 AND 1984

1. BASIS OF ACCOUNTING

The state of Montana utilizes the modified accrual basis of accounting which is described in the Montana Operations Manual.

Under the modified accrual basis of accounting, a valid obligation exists when the associated liability is incurred except for the following items which are also considered valid obligations under state accounting policy:

- 1) System development inter-agency or intra-agency service agreements may be accrued at the end of the fiscal year in which created.
- 2) Equipment expenditures may be charged against the fiscal year in which budgeted.
- 3) Interest on long-term debt is recorded when due.
- 4) Obligations for employees' vested annual leave and sick leave are recorded as expenditures when paid.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Funds

The financial schedules are prepared from the Statewide Budgeting and Accounting System (SBAS) without adjustments. The funds presented and their relationship to the state treasury fund structure are as follows:

General Fund - To account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund - To account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.

### 3. VACATION AND SICK LEAVE

Employees at the office accumulate both vacation and sick leave. Employees are paid for 100 percent of unused vacation and 25 percent of unused sick leave credits upon termination. Accumulated unpaid liabilities for vacation and sick leave are not reflected in the financial schedules of the Commissioner of Political Practices' Office. Expenditures for termination pay currently are absorbed in the annual operational costs of the office. At June 30, 1984 the office has a liability of approximately \$4,890 for vacation leave and \$3,608 for sick leave.

### 4. GENERAL FUND BALANCE

The General Fund beginning and ending fund balance at the Commissioner of Political Practices' office is zero since any balance in the fund is owed to the state General Fund at fiscal year-end.

### 5. PRIOR YEAR EXPENDITURES

The office recorded valid fiscal year 1983 General Fund expenditures as prior year expenditures against the fiscal year 1982 appropriation. Had these expenditures been recorded in accordance with state accounting policy, the fiscal year 1983 appropriation would have been overspent by \$1,646; fiscal year 1983 operating expenses would have been \$16,849 rather than \$15,196; and fiscal year 1983 prior year expenditure adjustments would have been \$0 rather than \$1,653.

AGENCY RESPONSE



# COMMISSIONER OF POLITICAL PRACTICES



TED SCHWINDEN GOVERNOR

PEG KRIVEC, COMMISSIONER  
1205 EAST EIGHTH AVENUE

## STATE OF MONTANA

(406) 449-2942

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HELENA, MONTANA 59620

16 November 1984

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MONTANA LEGISLATIVE AUDITOR

Robert Ringwood  
Legislative Auditor  
State Capitol  
Helena, MT 59620

Dear Mr. Ringwood:

I have reviewed the audit report prepared by your office for the Office of the Commissioner of Political Practices for the fiscal year ending June 30, 1984.

The response to your recommendation is attached.

Respectfully yours,

A handwritten signature in cursive script that reads "Peg Krivec".

PEG KRIVEC  
Commissioner

PK/jl

# COMMISSIONER OF POLITICAL PRACTICES



TED SCHWINDEN, GOVERNOR

## STATE OF MONTANA

(406) 449 2942

PEG KRIVEC, COMMISSIONER  
1205 EAST EIGHTH AVENUE

CAPITOL STATION  
HELENA, MONTANA 59620

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MONTANA LEGISLATIVE AUDITOR

### RECOMMENDATION #1

WE RECOMMEND THAT THE OFFICE CHARGE EXPENDITURES AGAINST THE PROPER YEAR'S APPROPRIATION IN ACCORDANCE WITH STATE ACCOUNTING PRACTICE.

We concur: the office was required to record its current expenditures against its previous fiscal year appropriation due to four reasons:

- (a) the vacancy savings program;
- (b) the increase in state employee salaries although no increase was made in our budget appropriation;
- (c) the request by the Governor's Office to cut government spending through a 10% reduction in state office budgets;
- (d) the wish to keep spending down. We were able to cover costs for the biennium and not request more money through a budget amendment. Therefore, we feel we fulfilled the intent of the Governor's Office.



